

Appendix A
REPORT TO THE PRESIDENT ON THE ACTIVITIES
OF THE
COUNCIL OF ECONOMIC ADVISERS DURING 2001

LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS,
Washington, D.C., December 31, 2001.

MR. PRESIDENT:

The Council of Economic Advisers submits this report on its activities during the calendar year 2001 in accordance with the requirements of the Congress, as set forth in section 10(d) of the Employment Act of 1946 as amended by the Full Employment and Balanced Growth Act of 1978.

Sincerely,

Robert Glenn Hubbard, *Chairman*
Randall S. Kroszner, *Member*
Mark B. McClellan, *Member*

Council Members and Their Dates of Service

Name	Position	Oath of office date	Separation date
Edwin G. Nourse	Chairman	August 9, 1946	November 1, 1949.
Leon H. Keyserling	Vice Chairman	August 9, 1946	
	Acting Chairman	November 2, 1949	
	Chairman	May 10, 1950	January 20, 1953.
John D. Clark	Member	August 9, 1946	
	Vice Chairman	May 10, 1950	February 11, 1953.
Roy Blough	Member	June 29, 1950	August 20, 1952.
Robert C. Turner	Member	September 8, 1952	January 20, 1953.
Arthur F. Burns	Chairman	March 19, 1953	December 1, 1956.
Neil H. Jacoby	Member	September 15, 1953	February 9, 1955.
Walter W. Stewart	Member	December 2, 1953	April 29, 1955.
Raymond J. Saulnier	Member	April 4, 1955	
	Chairman	December 3, 1956	January 20, 1961.
Joseph S. Davis	Member	May 2, 1955	October 31, 1958.
Paul W. McCracken	Member	December 3, 1956	January 31, 1959.
Karl Brandt	Member	November 1, 1958	January 20, 1961.
Henry C. Wallich	Member	May 7, 1959	January 20, 1961.
Walter W. Heller	Chairman	January 29, 1961	November 15, 1964.
James Tobin	Member	January 29, 1961	July 31, 1962.
Kermit Gordon	Member	January 29, 1961	December 27, 1962.
Gardner Ackley	Member	August 3, 1962	
	Chairman	November 16, 1964	February 15, 1968.
John P. Lewis	Member	May 17, 1963	August 31, 1964.
Otto Eckstein	Member	September 2, 1964	February 1, 1966.
Arthur M. Okun	Member	November 16, 1964	
	Chairman	February 15, 1968	January 20, 1969.
James S. Duesenberry	Member	February 2, 1966	June 30, 1968.
Merton J. Peck	Member	February 15, 1968	January 20, 1969.
Warren L. Smith	Member	July 1, 1968	January 20, 1969.
Paul W. McCracken	Chairman	February 4, 1969	December 31, 1971.
Hendrik S. Houthakker	Member	February 4, 1969	July 15, 1971.
Herbert Stein	Member	February 4, 1969	
	Chairman	January 1, 1972	August 31, 1974.
Ezra Solomon	Member	September 9, 1971	March 26, 1973.
Marina v.N. Whitman	Member	March 13, 1972	August 15, 1973.
Gary L. Seevers	Member	July 23, 1973	April 15, 1975.
William J. Fellner	Member	October 31, 1973	February 25, 1975.
Alan Greenspan	Chairman	September 4, 1974	January 20, 1977.
Paul W. MacAvoy	Member	June 13, 1975	November 15, 1976.
Burton G. Malkiel	Member	July 22, 1975	January 20, 1977.
Charles L. Schultze	Chairman	January 22, 1977	January 20, 1981.
William D. Nordhaus	Member	March 18, 1977	February 4, 1979.
Lyle E. Gramley	Member	March 18, 1977	May 27, 1980.
George C. Eads	Member	June 6, 1979	January 20, 1981.
Stephen M. Goldfeld	Member	August 20, 1980	January 20, 1981.
Murray L. Weidenbaum	Chairman	February 27, 1981	August 25, 1982.
William A. Niskanen	Member	June 12, 1981	March 30, 1985.
Jerry L. Jordan	Member	July 14, 1981	July 31, 1982.
Martin Feldstein	Chairman	October 14, 1982	July 10, 1984.
William Poole	Member	December 10, 1982	January 20, 1985.
Beryl W. Sprinkel	Chairman	April 18, 1985	January 20, 1989.
Thomas Gale Moore	Member	July 1, 1985	May 1, 1989.
Michael L. Mussa	Member	August 18, 1986	September 19, 1988.
Michael J. Boskin	Chairman	February 2, 1989	January 12, 1993.
John B. Taylor	Member	June 9, 1989	August 2, 1991.
Richard L. Schmalensee	Member	October 3, 1989	June 21, 1991.
David F. Bradford	Member	November 13, 1991	January 20, 1993.
Paul Wonnacott	Member	November 13, 1991	January 20, 1993.
Laura D'Andrea Tyson	Chair	February 5, 1993	April 22, 1995.
Alan S. Blinder	Member	July 27, 1993	June 26, 1994.
Joseph E. Stiglitz	Member	July 27, 1993	
	Chairman	June 28, 1995	February 10, 1997.
Martin N. Baily	Member	June 30, 1995	August 30, 1996.
Alicia H. Munnell	Member	January 29, 1996	August 1, 1997.
Janet L. Yellen	Chair	February 18, 1997	August 3, 1999.
Jeffrey A. Frankel	Member	April 23, 1997	March 2, 1999.
Rebecca M. Blank	Member	October 22, 1998	July 9, 1999.
Martin N. Baily	Chairman	August 12, 1999	January 19, 2001
Robert Z. Lawrence	Member	August 12, 1999	January 19, 2001
Kathryn L. Shaw	Member	May 31, 2000	January 19, 2001
R. Glenn Hubbard	Chairman	May 11, 2001	
Mark B. McClellan	Member	July 25, 2001	
Randall S. Kroszner	Member	November 30, 2001	

Report to the President on the Activities of the Council of Economic Advisers During 2001

The Council of Economic Advisers was established by the Employment Act of 1946 to provide the President with objective economic analysis and advice on the development and implementation of a wide range of domestic and international economic policy issues.

The Chairman of the Council

The membership of the Council of Economic Advisers changed in 2001, following the inauguration of the new President. The President nominated R. Glenn Hubbard to be Chairman of the Council on April 23, 2001. He was confirmed by the Senate on May 10, 2001, and was appointed by the President on May 11, 2001, as Chairman. He succeeds Martin N. Baily, who joined the Institute for International Economics as a Senior Fellow.

Dr. Hubbard is on a leave of absence from Columbia University, where he is the Russell L. Carson Professor of Economics and Finance and Co-Director of the Entrepreneurship Program in the Graduate School of Business and Professor of Economics in the Faculty of Arts and Sciences. He also served as Senior Vice Dean of the Graduate School of Business. Before joining the Columbia faculty in 1988, Dr. Hubbard taught at Northwestern University. He also served as a visiting professor at the John F. Kennedy School of Government at Harvard University, the Graduate School of Business of the University of Chicago, and the Harvard Business School, and as a John M. Olin Fellow at the National Bureau of Economic Research, where he was a research associate. From 1991 to 1993 he was Deputy Assistant Secretary (Tax Analysis) of the Department of the Treasury.

In addition to his responsibilities at Columbia and the National Bureau of Economic Research, Dr. Hubbard served as the Director of the Program on Tax Policy at the American Enterprise Institute. He has been a consultant to the Department of the Treasury, the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System, and the National Science Foundation, among others.

Dr. Hubbard is responsible for communicating the Council's views on economic matters directly to the President through personal discussions and written reports. He represents the Council at Cabinet meetings, meetings of the National Economic Council, daily White House senior staff meetings, budget team meetings with the President, and other formal and

informal meetings with the President. He also travels within the United States and overseas to present the Administration's views on the economy. Dr. Hubbard is the Council's chief public spokesperson. He directs the work of the Council and exercises ultimate responsibility for the work of the professional staff.

The Members of the Council

Mark B. McClellan was nominated by the President on June 5, 2001, confirmed by the Senate on July 19, 2001, and appointed by the President as a Member of the Council of Economic Advisers on July 25, 2001. He succeeds Robert Z. Lawrence, who returned to the John F. Kennedy School of Government at Harvard University, where he is the Albert L. Williams Professor of International Trade and Investment at the Center for Business and Government.

From 1999 to 2000, Dr. McClellan was Associate Professor of Economics at Stanford University, Associate Professor of Medicine at Stanford Medical School, a practicing internist, a Director of the Program on Health Outcomes Research at Stanford University, and a Visiting Scholar at the American Enterprise Institute.

Dr. McClellan was also a Research Associate of the National Bureau of Economic Research. He was a Member of the National Cancer Policy Board of the National Academy of Sciences, Associate Editor of the *Journal of Health Economics*, and Co-Principal Investigator of the Health and Retirement Study, a longitudinal study of the health and economic well-being of older Americans. From 1998 to 1999 he was Deputy Assistant Secretary of the Treasury for Economic Policy, where he supervised economic analysis and policy development on a wide range of domestic policy issues.

Randall S. Kroszner was nominated by the President on November 5, 2001, confirmed by the Senate on November 28, 2001, and appointed by the President on November 30, 2001, as a Member of the Council of Economic Advisers. He succeeds Kathryn L. Shaw, who returned to Carnegie Mellon University, where she is Professor of Economics in the Graduate School of Industrial Administration.

Dr. Kroszner is on leave from the University of Chicago's Graduate School of Business, where he is Professor of Economics. He is also on leave from his positions as Editor of the *Journal of Law & Economics* and Associate Director of the George J. Stigler Center for the Study of the Economy and the State.

During 1999-2000 Dr. Kroszner was the John M. Olin Fellow in Law and Economics at the University of Chicago Law School. He is a Faculty Research Fellow of the National Bureau of Economic Research. He is on leave from his position as an Associate Editor of the journal *Economics of Governance*, the *Journal of Economics and Business*, and the *Journal of Financial Services Research*.

The Chairman and the Members work as a team on most economic policy issues. Dr. Hubbard was primarily responsible for the Administration's economic forecast, macroeconomic analysis, budget and taxation policy, retirement security, and international financial issues. Dr. Kroszner's portfolio included international economic issues and certain microeconomic issues, including those relating to the environment and costs of regulation. Dr. McClellan was primarily responsible for policy analysis relating to labor, health care, welfare reform, and child and family issues.

Macroeconomic Policies

As is its tradition, the Council devoted much time during 2001 to assisting the President in formulating economic policy objectives and designing programs to implement them. In this regard the Chairman kept the President informed, on a continuing basis, of important macroeconomic developments and other major policy issues through regular macroeconomic briefings. The Council prepares for the President, the Vice President, and the White House senior staff almost daily memoranda that report key economic data and analyze current economic events. In addition, they prepare weekly discussion and data memos for the Vice President and senior White House staff.

The Council, the Department of the Treasury, and the Office of Management and Budget—the Administration's economic "troika"—are responsible for producing the economic forecasts that underlie the Administration's budget proposals. The Council, under the leadership of the Chairman and the Members, initiates the forecasting process twice each year. In preparing these forecasts, the Council consults with a variety of outside sources, including leading private sector forecasters.

In 2001 the Council took part in discussions on a range of macroeconomic issues, with particular focus on tax and budget policy. The Council engaged in discussions with other agencies concerning taxation and its effects on the U.S. economy. The Council works closely with the Office of Management and Budget, the Treasury, the Federal Reserve, and the National Economic Council, as well as other government agencies, in providing analyses to the Administration on these topics of concern.

The Council continued its efforts to improve the public's understanding of economic issues and of the Administration's economic agenda through regular briefings with the economic and financial press, frequent discussions with outside economists, and presentations to outside organizations. The Chairman also regularly exchanged views on the macroeconomy with the Chairman of the Board of Governors of the Federal Reserve System.

International Economic Policies

The Council was involved in a range of international trade issues, including discussions about a new work program for the World Trade Organization, steel trade issues, trade adjustment assistance, and negotiations for new free-trade areas. In addition, the Council participated in international finance discussions involving Argentina, Brazil, Japan, and Turkey.

The Council is a leading participant in the Organization for Economic Cooperation and Development (OECD), the principal forum for economic cooperation among the high-income industrial countries. The Chairman heads the U.S. delegation to the semiannual meetings of the OECD's Economic Policy Committee (EPC) and serves as the EPC Chairman as well as Chairman of the Ad Hoc Group on Sustainable Development. Dr. McClellan led the U.S. delegation to the OECD's Working Party 1, which focused on a variety of microeconomic issues, such as lifetime learning. In 2001 Dr. Kroszner participated in the OECD's Working Party 3 meetings on macroeconomic policy and coordination. He also participated in the annual review of U.S. economic policy. The Council was an active participant in these committees, working on a variety of issues including economic policy, tax policy, sustainable development, international financial markets, and labor issues, such as the interaction between product and labor markets. The Council provided both analytical support and policy guidance.

Council members regularly met with representatives of the Council's counterpart agencies in foreign countries, as well as with foreign trade ministers, other government officials, and members of the private sector. In 2001 Dr. Kroszner participated in the U.S.-Japan Economic Sub-Cabinet dialogue, part of the U.S.-Japan Economic Partnership for Growth. During the year the Council represented the United States at other international forums as well, including meetings of the Asia-Pacific Economic Cooperation forum.

Microeconomic Policies

A wide variety of microeconomic issues received Council attention during 2001. The Council actively participated in the Cabinet-level National Economic Council, dealing with such issues as problems in the agricultural sector, climate change, unemployment insurance, health policy, energy policy, and financial markets and institutions. Dr. McClellan was extensively involved in formulating policy concerning Medicare reform, the Patients' Bill of Rights, tax credits for health insurance, and exploring ways to reduce the cost of pharmaceuticals. Dr. Kroszner participated in a series of discussions on environmental policies and industry-specific issues. In the aftermath of the terrorist attacks on September 11, Council members and staff analyzed the effects on the airline and insurance industries, including the challenges of the provision of terrorism reinsurance, as well as cost-effective measures to combat bioterrorism.

The Staff of the Council of Economic Advisers

The professional staff of the Council consists of the Chief of Staff, the Senior Statistician, the Chief Economist, the Director of Macroeconomic Forecasting, eight senior economists, five staff economists, and four research assistants. The professional staff and their areas of concentration at the end of 2001 were:

Chief of Staff

Diana E. Furchtgott-Roth

Senior Statistician

Catherine H. Furlong

Chief Economist

Douglas J. Holtz-Eakin

Director of Macroeconomic Forecasting

Steven N. Braun

Senior Economists

Katherine Baicker	Labor, Health, Welfare, and Education
Jeffrey R. Brown	Social Security
Carolyn L. Evans	International Trade
Peter M. Feather	Agriculture, Regulation, and Environment
Andrew J. Filardo	Macroeconomics
William R. Melick	International Finance
Wallace P. Mullin	Energy, Electricity, Telecommunications, and Transportation
William A. Pizer	Climate Change and Environment

Staff Economists

Irena I. Asmundson	International Trade
Katherine R. Baylis	Agriculture
Catherine L. Downard	Macroeconomics, Financial Markets, and Tax Policy
Judson L. Jaffe	Microeconomics and Environment
Brian H. Jenn	Labor and Social Security

Research Assistants

Heather C. McNaught.....	Environment and Regulation
M. Marit Rehavi.....	Labor, Health, Education, and Unemployment
Adam R. Saunders	International Economics
Jason M. Zhao.....	Macroeconomics

Statistical Office

Mrs. Furlong directs the Statistical Office. The Statistical Office maintains and updates the Council's statistical information, oversees the publication of the monthly *Economic Indicators* and the statistical appendix to the *Economic Report of the President*, and verifies statistics in Presidential and Council memoranda, testimony, and speeches.

Susan P. Clements.....	Statistician
Linda A. Reilly.....	Statistician
Brian A. Amorosi.....	Statistical Assistant
Dagmara A. Mocala.....	Research Assistant

Administrative Office

Catherine Fibich.....	Administrative Officer
Rosemary M. Rogers	Administrative Assistant

Office of the Chairman

Alice H. Williams	Executive Assistant to the Chairman
Sandra F. Daigle.....	Executive Assistant to the Chairman and Assistant to the Chief of Staff
Lisa D. Branch.....	Executive Assistant to Dr. Kroszner
Stephen M. Lineberry.....	Executive Assistant to Dr. McClellan

Staff Support

Mary E. Jones	Executive Assistant for International Economics, Labor, Health, Environment, and Regulation
Mary A. Thomas-Parker	Program Assistant for Macroeconomics, Industrial Organization, and Agriculture

Michael Treadway provided editorial assistance in the preparation of the 2002 *Economic Report of the President*.

During 2001, Francine P. Obermiller served as Executive Assistant to Dr. McClellan until she was called to active duty by the Department of the Navy in support of Operations Noble Eagle and Enduring Freedom.

Rex W. Cowdry, Douglas A. Irwin, Helen G. Levy, and Jonathan S. Skinner provided consulting services to the Council during 2001.

Student interns during the year were Jennifer L. Abrahamson, Ashley A. Ensign, Namita K. Kalyan, Jonathan M. Klick, Elizabeth A. Leet, Mark F. Magazu, Charles J. McCleary, Stephen R. Mulholland, Jared B. Prushansky, Douglas A. Smith, James W. Soldano, Julia A. Stahl, and Kevin P. Sweeney. Ivan A. DeJesus, Nayla Z. Idriss, and Matthew L. Nestorick joined the staff of the Council in January as student interns.

Departures

Audrey Choi, who served as Chief of Staff, resigned in January 2001. She accepted a position as Research Director for former Vice President Al Gore. Charles F. Stone, Chief Economist, also resigned in January 2001. He accepted a position with the Senate Budget Committee.

The Council's senior economists, in most cases, are on leave of absence from faculty positions at academic institutions or from other government agencies or research institutions. Their tenure with the Council is usually limited to 1 or 2 years. Some of the senior economists who resigned during the year returned to their previous affiliations. They are William B. Boning (The CNA Corporation), Menzie D. Chinn (University of California, Santa Cruz), Andrew G. Keeler (University of Georgia), Peter G. Klein (University of Georgia), Michael R. LeBlanc (Department of Agriculture), Kathleen M. McGarry (University of California, Los Angeles), and Phillip L. Swagel (International Monetary Fund). Diane Lim Rogers accepted a position at the Joint Economic Committee of the Congress.

Staff economists are generally graduate students who spend 1 year with the Council and then return to complete their dissertations. Those who returned to their graduate studies in 2001 are Daniel W. Elfenbein (Harvard University), Jason S. Seligman (University of California, Berkeley), and Vivian Y. Wu (Harvard University). Matthew C. Wilson accepted a position at the University of Denver. Alexander M. Brill accepted a position at the House Ways and Means Committee, and Kevin F. Erickson accepted a position at the Joint Economic Committee. Terry L. Lumish accepted a position with former Vice President Al Gore. After serving as research assistants at the Council, some pursue graduate studies. Those who began graduate studies in 2001 are Olivier Coibion (University of Michigan), Nathaniel F. Stankard (Harvard Law School), and Elizabeth A. Weber (University of California, Berkeley). Heather L. Jambrosic accepted a position with the American Meat Institute, and James A. Mathews accepted a position at the Advisory Board Company. Rosalind V. Rasin, Executive Assistant, accepted a position with the U.S. Customs Service.

Public Information

The Council's annual *Economic Report of the President* is an important vehicle for presenting the Administration's domestic and international economic policies. It is now available for distribution as a bound volume and on the Internet, where it is accessible at www.access.gpo.gov/eop. The Council also has primary responsibility for compiling the monthly *Economic Indicators*, which is issued by the Joint Economic Committee of the Congress. The Internet address for the *Economic Indicators* is www.access.gpo.gov/congress/cong002.html. The Council's home page is located at www.whitehouse.gov/cea/index.html.